



ALTRUVISTA™



# CHOOSING A FINANCIAL ADVISOR

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The How-To Guide for High-Net-Worth Business Owners & Families

# ABOUT THE GUIDE

High-net-worth business owners and families are subject to increased complexity when managing their wealth. They are usually communicating with many professional advisors (tax, legal, and financial) and have several ideas and strategies to organize. Selecting the right financial advisor can be one of their biggest decisions.

The following guide will outline the key questions you should ask before hiring an advisor, and the areas in which you should place the greatest level of emphasis when interviewing. Additionally, this guide includes a questionnaire and scorecard that you can send to an existing or prospective advisor to get better acquainted with their value proposition.

“I am not a product of my circumstances.  
I am a product of my decisions.”

- Stephen Covey

This guide is an educational tool to help empower consumers.  
No guarantee can be placed on the results.

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# SECTION 1.0

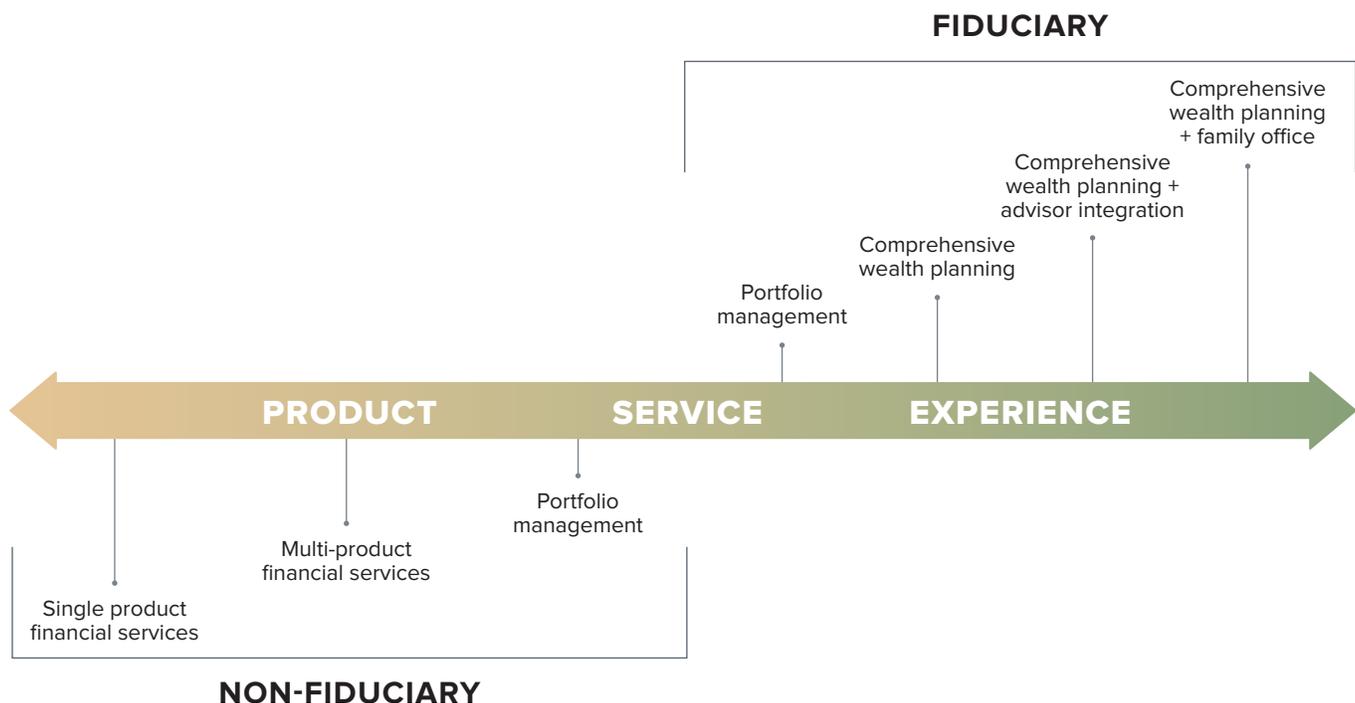
Types of Services

# TYPES OF SERVICES

There are many types of financial advisors, each with varying levels of services.

## WHAT'S IMPORTANT

- There are many different titles financial professionals use to describe their services, including financial advisor, financial planner, money manager, investment advisor, wealth advisor, wealth planner, family office, etc. More important than the title is what services you are actually receiving. High-net-worth business owners and families face significant complexity when managing their wealth. Furthermore, coordinating a team of tax, legal, and financial professionals can be very time consuming. It is important that your financial advisor not only create a comprehensive wealth plan, but also ensure that the plan is effectively collaborated and implemented among the various professional advisors.
- Traditional financial advice has been very product centered. However, as needs have evolved, so have service offerings. The chart below outlines the varying levels of service and fiduciary protection that is available.



# SECTION 2.0

Fiduciary & Independence

# FIDUCIARY

Is your advisor legally representing you and your best interests?

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## WHAT'S IMPORTANT

- It is essential that your advisor act as a fiduciary. This should be in writing and outlined within your planning engagement agreement.
- Fiduciary means the advisor has a legal obligation to provide proper investment advice and always act in the best interests of his/her clients.
- While this sounds like a “no-brainer,” most advisors do not operate under a fiduciary standard. Some follow a lower standard called “suitability,” which means that all the investments made on behalf of the client must be suitable for the client when they are purchased. (e.g. An advisor can recommend a product as long as the risk is consistent with the client’s tolerance.)

# CONFLICTS OF INTEREST

“Show me a man’s incentives,  
and I will tell you what he will do.”

- Charlie Munger

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## WHAT’S IMPORTANT

- An advisors affiliation with an investment/insurance company may create a significant conflict of interest.
- If your advisor is employed by a financial institution with proprietary products, they could be swayed to make recommendations based on production requirements to maintain their contract and benefits or for sales incentives.
- Avoid advisors that have a proprietary affiliation or employment with any investment or insurance companies.
- Some advisors have their own name brand but are still employed by or affiliated with major financial services institutions.
- Captive advisors who can only offer proprietary products may not be able to select the best product to meet your needs.

# COMPENSATION

Avoid advisors that are dependent on commissions.

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## WHAT'S IMPORTANT

- Compensation can create a conflict of interest. It is essential as a high-net-worth individual that the advice you receive is in exchange for a fee as opposed to commission on a product.
- Advisor compensation models can be one of the following: commissions, fees and commissions, fee-only, or fee-only consulting.
- An advisor should be willing to provide a written comprehensive plan in exchange for a consulting fee that is not dependent upon how much money you invest or what products you buy.
- Captive advisors (i.e., advisors who primarily represent one company) may be limited in the products they can offer and unable to select the best solution to meet your needs. Furthermore, they may be incentivized to offer proprietary products as opposed to independently selecting the best solution.
- Your advisor should work for you, the client. They should receive compensation from you, not from fund and insurance companies. Look for an independent advisor.
- Your advisor should recognize and disclose any possible conflicts. Being forthcoming should be a prerequisite, and if an advisor cannot be completely straightforward with their compensation structure, you should not do business with them.

# FEES

Price is what you pay, value is what you get.

## WHAT'S IMPORTANT

- The cost of professional services varies with the level of service provided. You should understand what you are being asked to pay for and ensure you benefit from the value.
- You need to know what you are getting. Is it an investment strategy with some ancillary financial planning? A comprehensive written financial plan? A planning process to help coordinate your options and various advisors? What you pay can vary tremendously based on services provided (for a fee), transactions processed (for a commission), or some combination of the two. For high-net-worth individuals, it is recommended to have a comprehensive plan.
- Investment management fees: As a general rule of thumb, fees for investment portfolios are around 1% of assets under management. However, this should decrease as your accounts pass thresholds such as \$5M, \$10M, \$20M, etc. Fees at those levels are generally around 0.75%, 0.55%, and 0.45%, respectively. This will vary based on the services offered by the advisor. An advisor should be able to substantiate the services offered so you feel they earned whatever fee or commission they are paid.
- Retirement planning services: This includes services such as retirement income or accumulation plans, cash flow and asset allocation. Fees for this type of service range from \$5,000 to \$10,000.
- Complex business, financial, and estate planning fees: For large estates, fees can range between \$10,000 to \$100,000+ depending on the complexity and scope of service. Although these numbers can be substantial, they may be warranted given your specific engagement and implementation. It is essential for an advisor to substantiate the value you will receive from the process. Make sure you understand the service offering and value proposition.
- Ongoing financial management: Once a plan is built it has to be maintained, managed, and updated. Fees for financial management will vary based on the scope of services. Ask yourself “If I were to pay an annual salary to someone to handle these services, what would that salary be?”

# SECTION SUMMARY

## FIDUCIARY

- All financial recommendations should be provided on a fiduciary basis.
- Some advisors will only act as a fiduciary for investment recommendations. However, you should insist on working with an advisor that assumes fiduciary responsibility for the entire financial plan as well as investments.

## CONFLICTS OF INTEREST

- It is essential to be sure your advisor represents you, not other financial institutions.

## COMPENSATION

- A fee-only consulting process is ideal. This means your advisor will provide guidance and advice for a fee and allow you to decide whether you would like to move forward.
- Be sure your portfolio is charged on a fee-only basis, and that the advisor is not sharing revenue based on how your account is managed or invested.
- The compensation model is not an indication of whether an advisor is ethical or unethical, only the individual behavior of the advisor determines that. Even fee-only advisors can have conflicts of interest. Every advisor should disclose any conflicts of interest. Their advice and planning recommendations should be delivered in written form and offered in exchange for a consulting fee. Attorneys and accountants can serve as checks and balances for your planning.

## FEES

- An advisor should be able to clearly articulate what you are receiving, as well as the cost and the benefit to you. Flat fees are great for large projects as you can limit your overall cost. Hourly may be better for smaller projects or to answer specific questions that can be addressed easily. Make sure you have a written outline of the services the advisor will be providing and how you will be billed.

# SECTION 3.0

Specialization & Process

# SPECIALIZATION

Hire an advisor who specializes in working with people like you.

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## WHAT'S IMPORTANT

- There many types of financial advisors, each with different areas of expertise and some with no focused expertise. As a high-net-worth individual it is essential that you hire an advisor who specializes in working with people like you and has a process to address your specific needs and goals.
- If you are a business owner, you will likely benefit from an advisor who focuses on business owners and has a process that caters to the entrepreneurial market. Ensure the advisor works with other clients who have a similar level of net worth, income, and assets as you.

# DOCUMENTED PLANNING PROCESS

What are the various stages of the planning process and what is involved?

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## WHAT'S IMPORTANT

- Your advisor or advisory firm must have a written outline of their planning process with a clear picture of involved stages.
- The planning process must be based around your goals and not their products.
- Financial planning is an ongoing process to help ensure your goals are met and should be very thorough in nature.
- A written document ensures accountability. It provides a detailed outline of your goals and the steps your advisor will take to achieve those goals. Furthermore, a written document defines the responsibilities of your advisor.

# DELIVERABLES

What deliverables should you receive from an advisor?

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## WHAT'S IMPORTANT

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At the end of the planning process, your advisor should present you with a written financial planning document illustrating your current financial situation and each recommendation. The financial plan should clearly document all of the following based on their scope of services:

- A summary of your goals and objectives
- Comprehensive balance sheet and net worth statement
- Cash flow & savings analysis
- Investment policy statement for your accounts (retirement & taxable)
- Retirement plan
- Insurance analysis
- Review of your employee benefits (stock options, restricted stock units, etc.)
- College plan
- Asset protection plan (if applicable)
- Estate plan
- Charitable plan (if applicable)
- Business succession or exit plan (if applicable)
- Strategic tax plan (if applicable)

# EXPERIENCE & EDUCATION

It is important to ensure your advisor has the experience and credentials to address your planning needs.

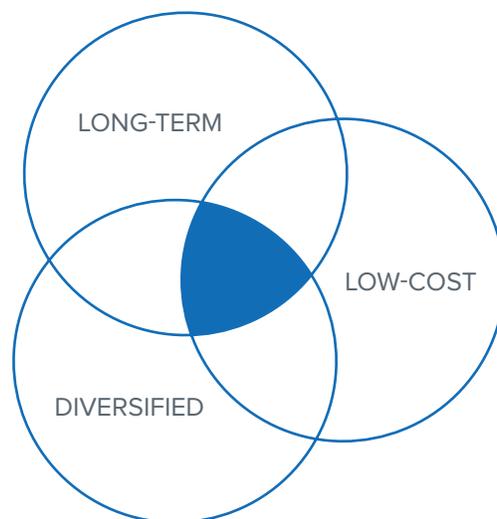
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## WHAT'S IMPORTANT

- The gold standard for financial planning is the CERTIFIED FINANCIAL PLANNER™ certification. An advisor is either a CFP® practitioner or they are not.
- CFP® certification ensures the advisor has completed rigorous training, has passed a background check, and has been certified to provide financial planning services by the CFP® board. Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, Certified Financial Planner™ and CFP® in the U.S.
- Make sure your advisor has a minimum of 5 years experience, however, 10+ years is preferred.
- If you are close to retirement, and your advisor is around the same age as you, make sure they have a successor or a team who can address your needs should your advisor retire. If you work with a younger advisor, make sure they have the credentials and experience to address your needs.

# INVESTMENT PHILOSOPHY

It is important to know your advisor's investment philosophy.



## WHAT'S IMPORTANT

- It's important to know that no advisor can time the market or control the returns of the market. The job of an advisor is to help build a portfolio that meets your risk tolerance and captures returns over an extended time period.
- Some advisors utilize “active management” which employs strategies to select various stocks and bonds in an effort to outperform the market. Other advisors believe markets are efficient (i.e., fairly priced), and utilize “passive management” and buy various market indices at a very low cost. Some advisors use a combination of both.
- The majority of industry experts believe that it is very difficult, if not impossible, to consistently outperform the market through individual stock selection. A look back at the history of stocks confirms this to be true. Warren Buffett, the world's most successful investor, who has access to any money manager he wants, advises to buy index funds and avoid high-fee money managers who try to outperform the market, regardless of a firm's size, research, investment access, or reputation.
- Your advisor should have a long-term, diversified, low-cost portfolio management strategy.

# COLLABORATION WITH CPAs & ATTORNEYS

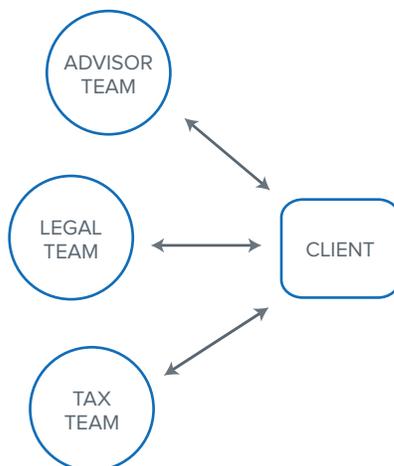
It is essential to have a process that integrates your team of professionals.

## WHAT'S IMPORTANT

- One of the biggest challenges with planning for high-net-worth individuals, especially business owners, is that often multiple advisors, with multiple plans, are servicing the one client. It is vital that all advisors servicing a client collaborate effectively. Due to the comprehensive nature of their services, a financial advisor can often serve as the quarterback for a planning team.
- In order to collaborate effectively, it is important that your financial advisor has a good relationship with your attorneys and CPAs.

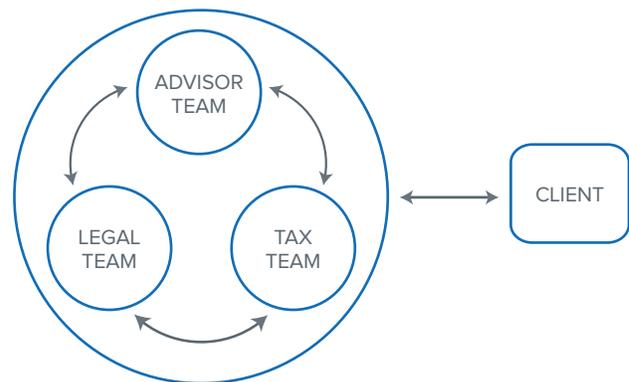
### INEFFICIENT COMMUNICATION MODEL

INCREASED RISK OF PLANNING GAPS



### EFFICIENT COMMUNICATION MODEL

INCREASED OPPORTUNITY FOR COLLABORATION



# SECTION SUMMARY

It is important for you to find an advisor who puts you first. When you are interviewing various advisors, keep the following in mind:

## SPECIALIZATION

- The advisor's core clients should mirror their profile clients. The profile client should be very similar to you.

## DOCUMENTED PLANNING PROCESS

- Confirm the advisor has a documented planning process in place, and all recommendations will be provided to you in a formal written financial plan. Additionally, every advisor should have a structured process for addressing future updates and changes. Keep in mind, creating an asset allocation, or recommending a financial/insurance product is not a financial plan.

## EXPERIENCE & EDUCATION

- It is essential that any advisor for a high-net-worth individual hold the CFP® certification. The following designations are also well regarded: CPA/PFS, CFA®, ChFC®, CIMA®.

## INVESTMENT PHILOSOPHY

- Seek out advisors with an investment philosophy that is consistent with your goals. This process should be oriented around investing for the long term in a well-diversified portfolio and be implemented at reasonable cost to you the client.

## COLLABORATION WITH CPAs & ATTORNEYS

- Make sure the advisor can effectively collaborate with other professionals handling different aspects of your financial position.

# SECTION 4.0

Communication  
& Service Model

# CHEMISTRY & COMMUNICATION

Chemistry and communication is one of the most important aspects of a client/advisor relationship.

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## WHAT'S IMPORTANT

- You should be able to talk openly with your advisor. You should feel the advisor has your best interest at heart and understands your goals.
- Your advisor should be unbiased and never make you feel as if you are being judged.
- Your advisor should communicate with you in a way that you understand.
- If you cannot communicate with your advisor about the most important issues in your life, you may not receive the guidance you need.

# SERVICE MODEL

Be sure the service model of the advisory firm you hire is consistent with your preference.

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## WHAT'S IMPORTANT

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- Setting the appropriate expectations are an important component of any relationship.
- You should know your service team and how they will be working with you.
- Some advisors work for big institutions, but the team supporting you might only be one or two people. It's important to know who is on your advisory team and their role.
- Some advisors conduct planning using a team-based approach. This can involve different members of the advisory team managing different parts of the planning process.
- If you work with a solo practitioner, make sure they offer a service model and continuity plan you are comfortable with.

# SECTION SUMMARY

## CHEMISTRY & COMMUNICATION

- You can hire the most experienced and educated advisor but if you cannot communicate with them effectively there is potential for significant disconnect.
- You will be working with both the advisor and the firm for many years to come so be sure you feel comfortable with them.
- Communication is everything!

## SERVICE MODEL

- As a high-net-worth individual, it is important your advisor offers a service model you are comfortable with. This will vary based on personal preference.

# SECTION 5.0

Miscellaneous

# BACKGROUND CHECK

Protect yourself!

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## WHAT'S IMPORTANT

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- An advisor should be in good standing and have active licenses in your jurisdiction.
- Run a background check prior to hiring an advisor. Here are a couple of resources to check for any complaints or more background information:

### SEC

You can search the advisor as well as the firm

[http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx)

### FINRA Broker

When you search the advisors background look for any disclosure events

<http://brokercheck.finra.org>

# CUSTODIAN RELATIONSHIP & ACCOUNT SECURITY

Make sure you are not working with  
the next Bernie Madoff!

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## WHAT'S IMPORTANT

- Never allow an advisor to take custody of your assets.
- Assets should be placed with a major third-party custodian such as TD Ameritrade, Charles Schwab, Pershing or Fidelity Investments, etc.
- A third-party custodian provides protection for you. Your statement comes directly from the custodian and you know the exact value and history of your accounts.
- The advisor should be granted the authority to trade and manage your account based on an agreed Investment Policy Statement.
- For more information, visit the link below to read “How to Protect Yourself against the Next Bernie Madoff.”

<http://www.altruvistawealth.com/articles.html>

# CLIENT & PROFESSIONAL REFERENCES

Have a reference from someone who does business with the advisor.

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## WHAT'S IMPORTANT

- Advisors are normally referred through an attorney, accountant or existing client.
- If you have not been referred to an advisor by someone you know, request at least two client references. Make sure the references have a similar profile to you with regard to age, net worth, planning needs, etc.

MISCELLANEOUS

# SECTION SUMMARY

## BACKGROUND CHECK

- Be cautious of individuals with complaints from clients about their services.

## CUSTODIAN RELATIONSHIP & ACCOUNT SECURITY

- There are no exceptions to having a third-party custodian. Always ensure your assets are with a large, reputable institution. Statements are generally provided monthly in addition to daily online access.

## CLIENT & PROFESSIONAL REFERENCES

- When talking to references, be sure to ask how long the reference has been working with the advisor and about their overall experience. Additionally, ask any questions in the areas that are most important to you.

# SECTION 6.0

## Key Functions

# IN SUMMARY, HERE ARE THE KEY FUNCTIONS

For high-net-worth individuals, hiring an advisor is not about stocks and bonds. It's about partnering with someone who can share your goals, serve as a guide, and hold you accountable.

- Help you define your goals and objectives.
- Ensure that your planning is consistent with your desires.
- Help protect what you have built and ensure you are making sound decisions.
- Build an investment strategy consistent with your risk tolerance and time horizon.
- Serve as an independent voice when making decisions.
- Make recommendations on planning opportunities that can benefit you.
- Act as a sounding board when faced with challenging decisions.
- Collaborate with your other advisors, such as CPAs and attorneys, to ensure integration between your various plans.
- Help you crystallize your goals and objectives.
- Document your plans and assets.
- Hold you accountable to your goals.
- Guide you through your financial options and opportunities.
- Provide perspective over your total plan.
- Act as a financial caretaker to your family.
- Act as a trusted advisor to your family.
- Act as a voice of reason when faced with challenging decisions.
- Educate you about complex issues relating to investments, insurance, taxation, retirement planning, estate planning, business planning, and asset protection.

# SECTION 7.0

Advisor Questionnaire  
& Scorecard

# ADVISOR QUESTIONNAIRE

(FOR CLIENTS TO USE WHEN INTERVIEWING)

1. Describe your profile client.  
(business owners, retirees, professionals, trustees, high-net-worth individuals, etc.)
2. What is the financial position of your typical client? (net worth, income, portfolio assets, business value, etc.)
3. Please provide two existing client references with similar situations.
4. Do you conduct any surveys on your client experience? If so, please provide results.
5. Describe your team members and their roles.
6. What meetings are involved in your process and who will be involved in each meeting?
7. Who is my primary point of contact?
8. What is your process for ongoing reviews and updates once the financial plan has been implemented?
9. Do you have a documented outline of your overall planning process with the various stages involved from start to finish? If so, please provide.
10. Will you act as a fiduciary in providing all of your planning recommendations?
11. Will you be acting as a fiduciary when making investment recommendations?
12. Will you be acting as a fiduciary when making financial product recommendations?
13. Do you collaborate with attorneys and CPAs? If so, how?
14. On a scale of one to ten, ten being very active, one being very passive, how do you manage portfolios?

# QUESTIONS FOR ADVISOR

(ADVISOR CAN COMPLETE AND GIVE BACK TO YOU)

1. Please describe your educational background and industry experience.
2. Will I receive a formal written document with my planning recommendations at the end of the process?
3. How will my financial plan be updated on an ongoing basis?
4. Will you provide your financial planning recommendations in exchange for a consulting fee?
5. Do I have the option of implementing my plan elsewhere?
6. Aside from the fee I pay, do you or your firm revenue share with any of the investments you offer?
7. Do you, or the company you represent, have any proprietary products? If so, please describe.
8. What are your fees?
9. Are you billing hourly or flat fee?
10. Will you provide a written outline in the form of a planning agreement for the components you will be addressing?
11. Do you have any proprietary affiliations? Are you employed by any investment or insurance institutions?
12. If employed by investment or insurance institutions, do those institutions have any minimum requirements for selling their products?
13. Are any of your benefits (health insurance, pension, retirements, etc.) connected to the products you sell?
14. Will you ever take custody of my money?
15. Do you use a third-party custodian for your client accounts?
16. How often will I receive a statement of my accounts?
17. Have you had any complaints filed against you by a current or former client?
18. Is there anything on your background that you would like to disclose or further clarify?

# ADVISOR SCORECARD

<p><b>1.</b> Does your advisor act as a fiduciary when providing all of your financial recommendations?</p>	<p>Yes <input type="checkbox"/> 20 points</p> <p>No <input type="checkbox"/> -10 points</p>	
<p><b>2.</b> Does your advisor have specialized expertise working with clients with a similar profile and financial position as you?</p>	<p>Yes <input type="checkbox"/> 15 points</p> <p>No <input type="checkbox"/> 0 points</p>	
<p><b>3.</b> Is your advisor independent with no proprietary affiliations with product providers?</p>	<p>Yes <input type="checkbox"/> 15 points</p> <p>No <input type="checkbox"/> 0 points</p>	
<p><b>4.</b> Does your advisor collaborate your financial planning with your tax and legal professionals?</p>	<p>Yes <input type="checkbox"/> 15 points</p> <p>No <input type="checkbox"/> 0 points</p>	
<p><b>5.</b> Is your advisor a CFP®? If not, do they have any of the following: CFA®, ChFC®, CPA, PFS, JD?</p>	<p>Yes <input type="checkbox"/> 10 points</p> <p>Other designation <input type="checkbox"/> 5 points</p> <p>No <input type="checkbox"/> 0 points</p>	
<p><b>6.</b> How many years of experience does your advisor have?</p>	<p>10+ years <input type="checkbox"/> 5 points</p> <p>5-10 years <input type="checkbox"/> 0 points</p> <p>0-5 years <input type="checkbox"/> -5 points</p>	
<p><b>7.</b> Does your advisor operate as part of a planning team?</p>	<p>Yes <input type="checkbox"/> 5 points</p> <p>No <input type="checkbox"/> 0 points</p>	
<p><b>8.</b> Does your advisor provide a written financial plan with all of your recommendations?</p>	<p>Yes <input type="checkbox"/> 5 points</p> <p>No <input type="checkbox"/> 0 points</p>	
<p><b>9.</b> Does your advisor provide a financial plan in exchange for a consulting fee?</p>	<p>Yes <input type="checkbox"/> 5 points</p> <p>No <input type="checkbox"/> 0 points</p>	
<p><b>10.</b> Does your advisor sell any products in exchange for commission? If so, do they take fiduciary responsibility for the transaction?</p>	<p>No product sale <input type="checkbox"/> 5 points</p> <p>Product sale as fiduciary <input type="checkbox"/> 0 points</p> <p>Product sale no fiduciary <input type="checkbox"/> -5 points</p>	

**TOTAL POINTS  
OUT OF 100**



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